

## Message Text

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PAGE 01 EC BRU 01372 112013Z  
ACTION EUR-12

INFO OCT-01 AF-08 ARA-06 EA-07 IO-13 ISO-00 AID-05 CEA-01  
CIAE-00 COME-00 EB-08 FRB-03 INR-07 NSAE-00 CIEP-01  
SP-02 STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 /084 W  
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FM USMISSION EC BRUSSELS  
TO SECSTATE WASHDC 3004  
INFO AMEMBASSY BRASILIA  
AMEMBASSY MADRID  
AMEMBASSY PRETORIA  
AMEMBASSY SEOUL  
AMEMBASSY TOKYO  
USMISSION OECD PARIS  
USDEL MTN GENEVA  
AMCONSUL DUSSELDORF

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E.O. 11652: N/A  
TAGS: EEC, ETRD  
SUBJECT: EC STEEL SITUATION

REF: (A) 76 EC BRUSSELS 11929 (NOTAL), (B) EC BRUSSELS 854,  
(C) DUSSELDORF 188

1. SENIOR EC STEEL OFFICIAL PETRICK, GAVE MISSION THE FOLLOWING VIEWS ON EC CONTACTS WITH THIRD COUNTRIES, FUTURE OF EC STEEL INDUSTRY AND STATUS OF EUROFER.

2. COMMISSION IS MAINTAINING CONTACT, LARGELY AT THE WORKING LEVEL, WITH BRAZIL, SOUTH KOREA, SOUTH AFRICA AND SPAIN IN AN EFFORT TO HAVE THEM ADOPT MORE REASONABLE EXPORT PRACTICES WITH REGARD TO THE EC MARKET. THIS CAN MEAN VOLUNTARY RESTRAINT OF QUANTITIES EXPORTED OR AGREED-  
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MENT TO ALIGN PRICES WITH LOWEST IMPORT PRICE, ALTHOUGH THE ACCORD REACHED WITH THE JAPANESE PRODUCERS WOULD BE AN EC IDEAL FOR SOLUTION TO THE PROBLEMS BROUGHT ON BY OTHER EXPORTING COUNTRIES, THE PROBLEMS AND APPROACHES FOR EACH COUNTRY ARE VARIED.

3. THE COMMISSION HAS HAD LITTLE SUCCESS TO DATE CON-

VINCING THESE COUNTRIES TO CHANGE THEIR EXPORT BEHAVIOR. SPAIN, WHICH WAS ON THE VERGE OF AGREEING TO PRICE BEHAVIOR DEMANDS (REF. B) NOW IS BALKING. SOUTH KOREA TOLD THE COMMISSION FLATELY IT WOULD NOT GO ALONG BECAUSE IT NEEDED THE EXPORTS. AS FAR AS BRAZIL IS CONCERNED, THE EC IS WORRIED ABOUT THEIR PIG IRON EXPORTS, WHICH HAVE RISEN RAPIDLY, NOT THEIR STEEL PER SE. SO FAR, THOUGH, BRAZILIANS HAVE GIVEN NO SATISFACTION TO THE COMMISSION. ON THE QUESTION OF SOUTH AFRICAN DUMPING, THE COMMISSION HAS BEGUN ANTI-DUMPING PROCEDURES OF ITS OWN IN ADDITION TO THE UK ANTI-DUMPING ACTION. THE COMMISSION IS CURRENTLY UNDERTAKING AN EDUCATIVE PROCESS WITH REGARD TO SOUTH AFRICAN TRADE AUTHORITIES WHO REPORTEDLY ARE IGNORANT OF INDUSTRY PRICING POLICIES IN THE EC MARKET.

4. ANOTHER POTENTIAL PROBLEM WHICH THE EC COMMISSION IS WATCHING IS INDIA WHICH REPORTEDLY IS OFFERING UNLIMITED QUANTITIES OF STEEL AT LESS THAN \$100 A TON TO ITALIAN IMPORTERS. THIS IS REGARDED AS A BAD OMEN FOR THE FUTURE AND UNDERSCORES THE DESIRE OF LDCS TO CREATE EXPORT MARKETS FOR THEIR STEEL INDUSTRIES.

5. THE COMMISSION SEES THE LONG RUN FUTURE OF THE EC STEEL INDUSTRY AS NECESSARILY REDUCED IN SIZE, MORE SPECIALIZED AND MORE PRODUCTIVE. IN THE SHORT TO MEDIUM TERM, HOWEVER, IT SEEKS TO AVOID THE CHAOS THAT WIDE-SPREAD BANKRUPTCIES (SOME ARE ALMOST INEVITABLE) WOULD PRODUCE.

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6. THE COMMISSION HAD HOPED THAT EUROFER WOULD BE ABLE TO SERVE AS AN EFFECTIVE INTERLOCUTOR FOR THE COMMISSION BY PRESENTING INDUSTRY VIEWS WITH ONE VOICE. SO FAR THOUGH, EXPECT FOR THE COMMON DESIRE TO SEE IMPORTS LIMITED, EUROFER HAS BEEN UNABLE TO AGREE ON ANYTHING BEYOND ITS ADMINISTRATIVE STATUTES AND MAY ONLY BECOME A TYPE OF PRESSURE GROUP OR INFORMATION GATHERER LIKE THE AISI. NOR WOULD DENELUX, THE NORTHERN STEEL PRODUCERS GROUPSING, LIKELY AMOUNT TO MUCH. THOUGH THE PRODUCERS INVOLVED WOULD PROBABLY LIKE TO HAVE A FULL FLEDGED CARTEL, THE COMMISSION IS WATCHING THIS CLOSELY AND WOULD MOVE QUICKLY AGAINST ANY ILLEGAL BEHAVIOR. COMMENT: IT WAS FAIRLY OBVIOUS THAT PETRICK WAS TRYING TO REASSURE US THAT NEITHER EUROFER NOR DENELUX WOULD DEVELOP INTO EFFECTIVE CARTELS.

7. OUR SOURCE SAID IT IS STILL TOO EARLY TO HAVE ANY INDICATION

OF THE BALANCE SHEET IMPACT OF THE SIMONET PLAN. THE ADMINISTRATIVE ASPECTS ARE SO FAR SATISFACTORY AND THERE HAS BEEN A GENERALLY COOPERATIVE REACTION FROM INDUSTRY. AT THE END OF FEBRUARY THE COMMISSION'S STEEL DIVISION WILL PREPARE A STUDY OF THE FIRST TWO MONTHS OF THE PLAN'S OPERATION.

8. ACCORDING TO THE LATEST STATISTICS THAT THE COMMISSION HAS MADE AVAILABLE, IMPORTS FOR THE ORIGINAL SIX MEMBER STATES TOTALED 5.9 MILLION TONS DURING THE FIRST NINE MONTHS OF 1976, I.E., AN INCREASE OF 79 PERCENT COMPARED WITH THE CORRESPONDING PERIOD IN 1975. AT THE SAME TIME EXPORTS FROM THE SIX WERE 9.8 MILLION TONS FOR THE SAME PERIOD, A DROP OF 32 PERCENT FROM 1975. HINTON

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## Message Attributes

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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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